

SECUR



09058688

MISSION

## OMB APPROVAL

OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response... 12.00

## ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

FACING PAGE

SEC Mail Processing  
Section

FEB 27 2009

SEC FILE NUMBER

8-65894

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

Washington, DC

REPORT FOR THE PERIOD BEGINNING

01/01/08

MM/DD/YY

AND ENDING

12/31/08

MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER: NYFIX SECURITIES CORPORATION

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

100 Wall Street, 26th Floor

(No. and Street)

New York

(City)

NY

(State)

10005

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Steven R. Vigliotti

(646) 525-3011

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

FRIEDMAN LLP

(Name - if individual, state last, first, middle name)

100 Eagle Rock Avenue, Suite 200

(Address)

East Hanover

(City)

NJ

(State)

07936

(Zip Code)

## CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

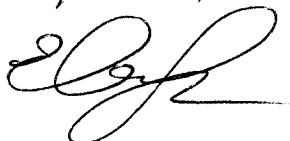
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## AFFIRMATION

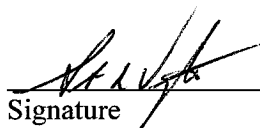
I, Steven R. Vigliotti, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to NYFIX Securities Corporation (the "Company") for the year ended December 31, 2008, are true and correct. I further affirm that neither the Company nor any member, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

EUGENIA GENYUK  
Notary Public, State of New York  
No. 01GE6131988  
Qualified in Kings County  
Term Expires August 22, 2009

02/26/09



Notary Public



Signature

2-26-09

Date

Chief Financial Officer

Title

### This report\*\* contains (check all applicable boxes):

- ☒ (x) Independent Auditors' Report.
- ☒ (x) (a) Facing Page.
- ☒ (x) (b) Statement of Financial Condition.
- ☒ (x) (c) Statement of Operations.
- ☒ (x) (d) Statement of Cash Flows.
- ☒ (x) (e) Statement of Changes in Stockholder's Equity.
- ☐ ( ) (f) Statement of Changes in Subordinated Borrowings.
- ☒ (x) Notes to Financial Statements.
- ☒ (x) (g) Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission.
- ☒ (x) (h) Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission.
- ☒ (x) (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission.
- ☐ ( ) (j) A Reconciliation, Including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3.
- ☐ ( ) (k) A Reconciliation Between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).
- ☒ (x) (l) An Oath or Affirmation.
- ☐ ( ) (m) A Copy of the SIPC Supplemental Report (not required).
- ☒ (x) (n) Independent Auditor's Report on Internal Accounting Controls.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SEC Mail Processing  
Section  
FEB 27 2009  
Washington, DC  
110

NYFIX SECURITIES CORPORATION  
(a subsidiary of NYFIX, Inc)

STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2008

**NYFIX SECURITIES CORPORATION**  
**(a subsidiary of NYFIX, Inc.)**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Statement of Financial Condition</b>	2
<b>Notes to the Statement of Financial Condition</b>	3



# FRIEDMAN LLP

ACCOUNTANTS AND ADVISORS

## INDEPENDENT AUDITORS' REPORT

To the Stockholder of  
NYFIX Securities Corporation

We have audited the accompanying statement of financial condition of NYFIX Securities Corporation (the "Company") as of December 31, 2008. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting for the basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of NYFIX Securities Corporation as of December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

*Friedman LLP*

February 26, 2009

# NYFIX SECURITIES CORPORATION

(a subsidiary of NYFIX, Inc.)

## STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2008

### Assets

Cash and cash equivalents	\$ 28,250,580
Cash segregated under federal and other regulations	1,100,000
Deposit with clearing firm	784,570
Securities borrowed	396,783,553
Receivables from broker-dealers and clearing organizations	589,735
Receivables from customers	534,754
Accounts receivable	124,293
Other assets	457,954
<b>Total Assets</b>	<b>428,625,439</b>

### Liabilities and Stockholder's Equity

#### Liabilities:

Securities loaned	\$ 397,268,963
Payables to broker-dealers and clearing organizations	1,041,254
Payables to customers	885,747
Payables to affiliates	1,305,987
Accounts payable and accrued expenses	1,786,841
<b>Total liabilities</b>	<b>402,288,792</b>

#### Commitments and contingencies

Stockholder's equity	26,336,647
----------------------	------------

<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 428,625,439</b>
---	-----------------------

The accompanying notes are an integral part of this financial statement.

# NYFIX SECURITIES CORPORATION

(a subsidiary of NYFIX, Inc.)

## NOTES TO STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2008

---

### 1. ORGANIZATION

NYFIX Securities Corporation (the “Company”) is a Delaware corporation and was incorporated on February 21, 2003. The Company provides automated execution services to domestic and international broker-dealers and institutional investors, operates a matched-book stock borrow/stock loan business and clears equity securities transactions on a fully disclosed basis for introducing broker-dealers, including its affiliate NYFIX Millennium, L.L.C. (“Millennium”). In addition, the Company also resells certain trading technology products and services offered by its affiliates on a subscription basis.

The Company is a registered broker-dealer with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). The Company is a direct wholly-owned subsidiary of NYFIX Broker-Dealer Holdings, LLC, which is wholly-owned by NYFIX, Inc. (“NYFIX”), a publicly-traded (Nasdaq: NYFX) financial technology company. In addition to the services provided by the Company, NYFIX also provides trading workstations, middle office trade automation technologies and trade messaging services to domestic and international market participants.

### 2. SIGNIFICANT ACCOUNTING POLICIES

***Concentration of Credit Risk for Cash***—The Company maintains its cash and cash equivalent balances at one financial institution. These balances are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

***Cash Segregated Under Federal and Other Regulations***—Cash segregated under federal regulations consists of cash deposited in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the SEC and cash deposited in a special reserve bank account for proprietary accounts of its introducing brokers (commonly referred to as “PAIB”).

***Accounts Receivable***—Accounts receivable represents billings for trading commissions and subscription fees. The Company maintains an allowance for doubtful accounts to reduce its accounts receivable to the amount expected to be collected on such receivables.

***Securities Lending Activities***—Securities borrowed and securities loaned are recorded at the amount of cash collateral provided for securities borrowed transactions and received for securities loaned transactions, plus accrued interest. The Company monitors the market value of securities borrowed and loaned on a daily basis with additional collateral obtained or refunded as necessary.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income Taxes**—The Company is included in the consolidated federal income tax return and certain combined state and local returns filed by NYFIX. The Company accounts for income taxes using the asset and liability method prescribed by Statement of Financial Accounting Standards (“SFAS”) No. 109, *Accounting for Income Taxes* (“SFAS 109”). SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the recognition of tax effects for financial statement purposes and income tax reporting purposes by applying enacted income tax rates applicable to future years to differences between the financial statement carrying amounts and tax bases of existing assets and liabilities. A valuation allowance is recorded to reduce the deferred tax asset to only that portion that is judged more likely than not to be realized.

**Use of Estimates**—The preparation of the statement of financial condition in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

**Fair Value of Financial Instruments**—Substantially all of the Company’s financial instruments are carried at fair value or amounts that management estimates approximate fair value as such financial instruments are short-term in nature or bear interest at rates approximating current market.

**Fair Value Option**—The Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*, (“SFAS No. 159”) as of the beginning of 2008. SFAS No. 159 permits a fair value option election, at specified election dates, to measure eligible financial assets and liabilities at fair value. The election is made on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company has made no election for fair value reporting of eligible items under such standard as of December 31, 2008.

## 3. COLLATERALIZED TRANSACTIONS

The Company receives collateral under securities borrowed transactions which it is allowed by contract or custom to sell or repledge. As of December 31, 2008, the fair value of securities borrowed of \$387,449,822 was repledged for securities loaned.

## 4. REGULATORY NET CAPITAL REQUIREMENT

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum regulatory net capital. The Company has elected to use the alternative method, as permitted by the rule, which requires the maintenance of minimum regulatory capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions, as defined. The Company’s membership in the Depository Trust Clearing Corporation requires it to maintain excess regulatory net capital of \$10,000,000.

At December 31, 2008, the Company had regulatory net capital and a minimum regulatory net capital requirement of \$25,747,747 and \$250,000, respectively.



#### 4. REGULATORY NET CAPITAL REQUIREMENT (continued)

The Company performs the computations for the assets in the proprietary accounts of its introducing brokers in accordance with the customer reserve computation set forth under SEC Rule 15c3-3 (the Customer Reserve Formula).

#### 5. RECEIVABLES FROM AND PAYABLES TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

At December 31, 2008, receivables from and payables to broker-dealers, and clearing organizations were comprised of the following:

	Receivables	Payables
Receivables from clearing organizations	\$ 531,372	\$ -
Securities failed-to-deliver/receive	11,336	-
PAIB deposit payable	-	100,000
Other	47,027	941,254
	<u>\$ 589,735</u>	<u>\$ 1,041,254</u>

#### 6. RECEIVABLES FROM AND PAYABLES TO CUSTOMERS

Receivables from and payables to customers include amounts receivable and payable on failed settlements. Securities underlying failed deliveries are used as collateral for these receivables.

#### 7. RELATED PARTY TRANSACTIONS

Receivable from affiliate was \$7,195 at December 31, 2008, and is included in other assets. Payables to affiliates were \$1,305,987 as reflected on the Statement of Financial Condition. The payables to affiliates are payable on demand and are non-interest bearing.

Employees of the Company are eligible to participate in the NYFIX 401(k) plan upon meeting certain eligibility requirements.

Certain employees of the Company participate in the approved stock option plans of NYFIX.

#### 8. INCOME TAXES

The tax effects of temporary differences that give rise to deferred tax assets and liabilities consisted of the following at December 31, 2008:

Deferred tax assets:

Operating loss carryforwards	\$ 5,060,867
Equity based compensation	1,197,714
Charitable contributions	77,568
Other deferred tax assets	24,023
Total deferred tax assets	<u>6,360,172</u>
Less: Valuation allowance	<u>6,360,172</u>
Net deferred tax assets	<u>\$ -</u>

## **8. INCOME TAXES (continued)**

The deferred tax asset valuation allowance of \$6,360,172 at December 31, 2008 has been recorded in accordance with SFAS 109 as historical pre-tax book income and historical income for tax purposes are not sufficient to support a conclusion that the value of net deferred tax assets are more likely than not to be realized on a stand-alone basis or by NYFIX in the consolidated federal and combined state and local returns.

## **9. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company settles securities transactions with counterparties on behalf of its affiliated introducing brokers and in connection with its matched-book stock borrow/stock loan business. This activity may expose the Company to off-balance sheet risk arising from the potential that counterparties may fail to satisfy their obligations. In the event counterparties fail to satisfy their obligations, the Company may be required to purchase or sell financial instruments, at unfavorable market prices, to satisfy those obligations. The Company mitigates the risk of counterparty nonperformance by requiring its affiliated introducing broker to maintain cash deposits and by its membership in the stock loan hedge program of the Options Clearing Corporation (the "OCC"). The OCC guarantees the required mark-to-market payments related to the fluctuation in market value of the collateral underlying stock borrow/stock loan transactions processed by its members. At December 31, 2008, approximately 80% of the Company's stock borrow/stock loan transactions outstanding have been processed through the OCC. The Company believes that the settlement of these transactions will not have a material effect on the Company's financial statements.

The Company is a member of various clearing organizations that trade and clear securities. Associated with these memberships, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different memberships vary, in general, the Company's guarantee obligations would arise only if the organization had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other nondefaulting members of the organization. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the statement of financial condition for these agreements and believes that any potential requirement to make payments under these agreements is remote.